

January 6, 1959

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Audionald By: H. D. Browstor

Dear Fritz:

I am enclosing herewith a copy of Gerry Smith's memorandum on the meeting between Secretary Dulles and Secretary McElroy that took place on December 5. You will recall that this is the meeting that I described to you in general terms in Paris. It and California. Following the meeting with McElroy, the Secretary we had our second substantive briefing meeting with the Secretary was largely given over to a discussion of MC-70 and the U.S. the Secretary went to the hospital with his recent illness.

The attached memorandum provides a good summary of the problem which arose again in Paris and will, I am sure, continue to be a major problem.

As the attached memorandum is the only copy in EUR, I would request that you return it to me just as soon as you, the Ambassador, Joe and Ray Thurston have had a chance to read it. Ray will, of course, wish to show it to Larry Norstad. I would request that it it be shown to Haskell or any of his people. Obviously, the material in the attached memorandum is extremely sensitive and I hope it will be treated with all due care. Also, there should be no reference to this memorandum in any telegraphic correspondence.

Sincerely,

L. Timmons

Enclosure:

Cy Memo Conv 12/5/58, w/Secy, McElroy, etc., TS Control # S/P-58325-6A.

The Honorable

Frederick E. Nolting, Jr.,
Deputy Chief of Mission, USRO,
Paris.

SECRET (TOP SECRET ATTACHMENT)



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Authority NND 887424

By COK NAHA, Date 2/14/40

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December 5, 1958

Department of Defense Budget Problems; NATO Ministerial Mooting.

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Secretary Dulles Christian A. Herter C. Douglas Dillon Robert Murphy Livingston T. Kerchant 4. Frederick Reinhardt

Gerard C. Smith

COCCO

Copies to:

5/3, U, G, C, W, WR, S/P

Defense

Secretary Mc lroy Donald A. Quarles John M. Irwin, II

General Bethan F. Twining

White House Cordon Gray

Secretary McElroy said that he would like to discuss with the Secretary two questions-preparations for the MATO Ministorial swet-ing and certain problems regarding the Department of Defense budget. He said that he had followed the foreign policy guidance of the Secretary of State at a meeting on Saturday, November 8.

Secretary Mollroy pointed out the need to have a strong moleur retaliatory force as well as forces to cope with limited a pression. lie recognized that we would need these forces for a long time. Presidential decision will be needed on budgeting for an additional large aircraft carrier with medear power, coating about \$300 million. The Mavy target is to have 12 large carriers so as to permit 42 to be on station at all times. He expressed concern over the possibi-lity of the U. S. having to cope simultaneously with two or three limited war situations. He spoke of the advantages of nucleurpowered vessels as opposed to conventional powered. It was agreed that the President, at the recent Augusta meeting, had not been in favor of this carrier. Secretary McElroy pointed out the advantage of aircraft carriers in limited war situations, and sug ested that Secretary Dulles' support for this Item would be welcome in the BSC discussion scheduled for December 6.

Secretary Bulles said it was very difficult for him to take a position on the morits of any individual military item. He felt

that

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that the U.S. needed a continued and, perhaps, increased limited war capability, but he was in no position to judge how the military should plan for this.

Secretary McKiroy said he was going to submit the carrier item and leave it to the President to remove it if that was his vish. Mr. Gray said that he understands the President wished this item to be deferred.

Mr. Herter asked if the President and established a budget ceiling for the DOD. Secretary McElroy replied "no". He said the President may wish to do this, but had not so far. He. Gray pointed out the difficulty that a military budget ceiling would have for the President, especially with Congress.

Secretary Dulles pointed out the undesirability of a "Procuestes bed" approach to defense budgeting.

Secretary Dulles pointed out the likelihood that limited aggressions would occur simultaneously rather than seriating as had been the case in the past. So far the domainists had proved our will to meet force with force, and had proved with force in an effort to create allied splits. So far the Communists had not proved to test our strength, but if we reduced our strength we could expect this third type of prove.

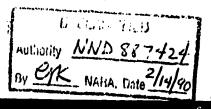
Secretory McMiroy pointed out that the United Kingdon was no longer dependable as a navel power.

Secretary Fulles said he recognized the dilemm that we are facing. We depend on a free society with private initiatives. Sontimed deficit financing and high taxes may destroy this vital element, but we must consider the resources of the forced management of the Soviet bloc. We must realize that we cannot have security cheaply and without sacrifies. The Secretary said he was not clear as to where the line should be drawn between these two considerations.

Secretary McElroy said that orders had gone out to the Army to reduce force levels to the Presidential budget of FY 1959. This will require a 30,000 man reduction. This will pinch the Army in regard to oversons deployments. We must face the fact that our forces abroad must be cut over the long term or our military budget will go way up. It appeared that the reduction for this year could be handled without significant reductions in overseas deployments.

However,







However, further cuts seemed inevitable. It did not appear sensible to make the next cut by, say, 50,000. The next reduction would probably have to be of the order of 125,000, or which 75,000 would come from the Army and the Marines. A smaller force would require more central positioning, which means that our MATO forces would have to be cut significantly in the future.

denoral Twining thought that the Suropean nations would not meet the goals set out in MC-70. This reject the question as to whether we would try to reach our MC-70 goal or whether we should cut too and go to a changed concept of Suropean defense. If others were reducing forces, why not go down as a group?

Secretary McPlroy said that the State Department papers being prepared for the Mark Ministerial meeting were proposing a Land line on MC-70. This, in effect, meant holding our own feet to the fire.

Mr. Dillon said that the opinion that the europeans would not meet the MC-70 goals assume that Matual Scourity funds would not be evailable to finance the MC-70 equipment requirements.

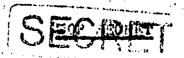
Secretary McElroy said it was not just a question of equipment, but also of force levels. The bunish Frime Minister had advised him of upcoming 'Andah cuts in their forces, the bulled Mingdom is planning on Surther outs, and the French have not been helpful. It is not clear how the Germans will not.

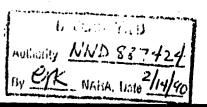
Gordon Gray pointed out that the rapidly diminishing backlog of military assistance funds would have a substantial offect on our foreign military operations in the next for years.

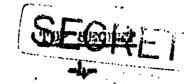
Secretary McKlroy pointed out that certain missile programs would have to be changed, which would have a bearing on NATO expectations.

Secretary Dulles asked about the proposed 30,000 cut in force levels in fiscal 1959 and asked how much would have to come from Europe. Secretary McElroy said that General Morstad was studying this question—that he had to meet several requirements that have not been programmed for, such as the MATO atomic stookpile. General Morstad thinks that the force reduction can be made without significant withdrawals from Europe, but some force withdrawals may have to come out of tactical forces. The five divisional organisation would, however, remain.

Secretary







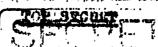
Secretary Dulles pointed out that under present conditions of the Berlin crisis it would not be a good time to remove forces. Popular interpretation would tend towards saying such a move is leading to the collapse of MATO if it was done precipitously. However, if the withdrawals could be done slowly that would be snother matter.

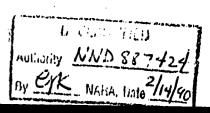
Secretary McGlroy said that the Department of Defense would do shead with its planning and would not take any decisions without checking with the Secretary of State.

Mr. Quarles pointed out that it was possible that two hattle groups would have to be removed from the 7th Army in Germany.

General Twining said he was not in favor of cutting our NATO support, but he believed that it was not our force contribution that was the important thing, but the solidarity of the alliance. He pointed out that the European nations are unhappy about our continually pressing them to keep up their forces. We should talk to them about our difficulty in keeping up our forces. If we are going to get down to an over-all force level or 2-k million, we must withdraw troops from abroad. The President said that our five-division strength in Europe was only a temporary measure.

Mr. Merchant





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A five-year plan. We should not emphasize too much the inability of certain countries to meet their first-year commitments. In view of the present Malaire in NATO and the Berlin crisis, public knowledge of US force cuts now would have an extremely serious political impact. If there were to be reductions in our support for NATO, the annual review procedure should be used. If we propose a review of MC-70 now based on our inability to meet our commitments, there will be very serious repercussions.

General Twining pointed out that five American divisions are not stopping the Mussians. La should take a "cold look" at the required US force levels in Aurope.

proposing cuts in the kutual focurity program from those-those and the Congress would probably cut desper. A resultant military assistance budget of the equipping of MATO forces with new weapons. He pointed out that we have not yet reached the expensive phase of the EC-70 program. If we get off to a poor start, we may never be able to get up to the required level to meet MC-70.

General Twining pointed out that the Germans had not carried their full load and that if we stopped carrying the load they would pick up the slack.

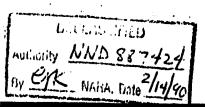
Secretary Dulles pointed out that this may be so militarily, but it could also result in the dermans reconsidering their entire political orientation.

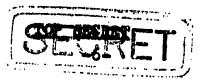
Mr. Quarles referred to Duncan Sandys idea that political pressures should be brought to bear on the military proposals for NATO. Perhaps the best procedure now would be to so shead with proposals for calendar year 1959, but to start a "back fire". We should start to work on the generation of the next "requirements" document and should inject political realism into it.

Secretary Dulles asked about the IRBM situation. Secretary McElroy said that it depended on whether or not Jupiters would be deployed to France. He suggested that we may end up with IRBMs in "reserve stocks".

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He asked if Italy was serious about stationing IRBMs. The Secretary felt that Italy was, but there were financial problems.

Secretary McElroy asked if the United Kingdom would be willing to buy more than the four squadrons presently planned on.

Mr. Quarles said that Ambassador Burgess believed it important that at the NATO Ministerial meeting we continue to support a program of ten squadrons for Europe, including the United Kingdom.

secretary Dulles pointed out the dangers of any appearance of US unfreezing its position. We must avoid the appearance of weakness, or an appearance of reacting to Soviet pressure.

Mr. Quarles said that AmbassadorBurgess had said to him that the French were now preparing a proposal with regard to IRBMs. Mr. Irwin said the Germans were expressing an interest in them.

Secretary McElroy said that at the NEC meeting the next day he planned to propose force levels for FY 1960 at the same level as June 30, 1959. Spending rates for the Department of Defense would be slightly up. The proposed Department of Defense budget will result in a number of establishments being closed down, which would cause some unemployment. This will have an effect on the economy.

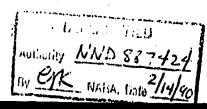
Mr. Gray pointed out that with the reduction in the backlog of mutual security funds, which could be carried over from previous years, our freedom of action in the foreign field will be substantially reduced. Mr. Irwin pointed out that we will not be able to dip into these funds for emergencies, such as Quemoy.

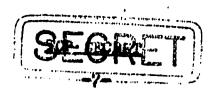
Mr. Smith asked what effect the proposed budget cuts for fiscal 1960 would have on STRAC. General Twining said that the combat strength of STRAC had already been cut by 25%.

There was some discussion as to whether the necessary cuts in fiscal 1959 force levels to bring them down 30,000 could be made from our Korean divisions. Secretary Dulles

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pointed out this could not be done without losing the UN command concept.

In closing Secretary Ecklroy said he was not looking for decisions at this meeting. He morely wanted to discuss his problems with the Secretary of State. He was sure the President would be disappointed that the Department of Defense would not be able to make further cuts. He also hoped to have the support of all the Joint Chiefs.

Fr. Trwin pointed out that cuts in initial recurity would effect the funds of the Department of Jerense since a number of programs were dependent upon runds generated by military sales to the futual Security Program.

Governor Herter asked what the effect of 1500-2500 million cut in Autual Accurity funds would have on the Department of Defense. Ir. Irvin pointed out that he was still discussing this with the Europu of Ladget.

e/PiGComith 12/8/58

